Staff Summary Series

Prepared under the Direction of
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Office of Research and Demonstrations
Health Care Financing Administration

American Academy of Pediatrics

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Final Report

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Staff Summary

Variations By State in Physician Participation in Medicaid Programs

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Project Officer: Benson L. Dutton, Jr.

Title and Purpose

Variations by State in Physician Participation in Medicaid Programs

The design of title XIX is such that the States retain broad discretion over the establishment of Medicaid policies. As a result, the programs vary widely. The variation among State Medicaid programs provides a natural opportunity to examine the impact of State Medicaid policies on pediatrician participation in the program.

The need for health care among low-income children makes it necessary to continue the search for improved strategies that promote access to care. Medicaid holds a position of great importance in its actual and potential ability to minimize financial barriers to care. Access to care is obstructed by the reluctance of service providers to see patients whose care is financed by Medicaid.

Many policy and situational factors influence the extent to which pediatricians participate in Medicaid. The objective of this research is to determine the impact of Medicaid policies on provider participation while controlling for situational factors.

The research reported here examines the variations in Medicaid participation in several States among one important provider group, pediatricians. It assesses the relative impact of a variety of factors and emphasizes the role of State Medicaid policy in influencing the observed participation of pediatricians.

Background/Description

This study involved a three-stage sampling plan. In the first stage, 13 States were selected; in the second, 1,457 pediatricians were selected; and finally, a random sample of visits to each physician was drawn. Data were collected in two phases. During Phase I, 814 office-based pediatricians participated in personal interviews and 710 of them completed brief records describing 35 patient visits during an assigned week. In Phase II, pediatricians who had completed patient records in the first phase took part in a mail followup survey. The survey requested their completion of brief records of payment for the same 35 patient visits on which they had reported 8 to 10 months earlier. The survey data were supplemented by information from a variety of other sources.

The method of State selection was designed to yield a sample of States with diverse Medicaid program characteristics. The method involved assigning to 50 Medicaid programs values from each of two indices which summarize important aspects of State Medicaid policies. The first is a Fee Index that compares the level of each State's Medicaid reimbursement to payments in the Medicaid market. The index is based on maximum allowable Medicare and Medicaid reimbursement for fiscal year 1975.

The second index, the Revised Medicaid Program Index, is designed to summarize State Medicaid program characteristics with regard to major areas of policy in which States make key decisions: eligibility criteria, services covered, and methods of reimbursement.

The Fee Index and the Revised Medicaid Program Index, provided bases for characterizing State Medicaid programs. The ranges of these two indexes were dichotomized, allowing each State to be classified into one of four categories. Each State was then weighted by the number of non-Federal office-based pediatricians in the State, thus increasing the probability of obtaining States with both the largest number of pediatricians and the largest Medicaid programs.

Randomly sampled non-Federal, office-based physicians, distributed approximately evenly across the 13 States, were selected from self-designated pediatricians included in the American Medical Associations's Master File. The study also included the collection of data on a sample of patients seen in each physician's practice.

The sampling plan was designed to yield data pertaining to approximately 35 patient visits during an assigned 1-week period.

Key Findings and Analysis

This study considered various factors affecting pediatrician participation. The report focused on:

- factors associated with nonparticipation;
- factors affecting the extent of Medicaid participation among participating pediatricians (full and limited participants);
- factors affecting Medicaid participation among metropolitan and nonmetropolitan pediatricians, and southern and nonsouthern pediatricians; and
- self-reported and behavioral indices of participation.

Nonparticipation

Descriptive statistics indicated that only 15 percent of the sample did not participate in Medicaid. The findings of the discriminant analysis showed that nonparticipants tended to be aged, to be less liberal, and to practice in service areas with higher per capita incomes than their participating counterparts. Nonparticipants also tended to practice in southern States where the Medicaid reimbursement level was relatively high but the Revised Medicaid Program Index score was relatively low.

Although 85 percent of the pediatrician sample reported participating in Medicaid, they varied considerably in the proportion of their patients whose care was financed by Medicaid. Multiple regression was employed to isolate the effects on participation of various situational and policy factors.

The analyses indicate that situational factors account for much of the variance in extent of Medicaid participation. Characteristics of the service area were particularly influential. Demand in both the Medicaid and non-Medicaid markets and the supply of health care resources, although not always consistent with the predicted values, did, however, exhibit significant effects on participation. The analyses also indicated that the foreign medical graduate, able to command fewer patients from the non-Medicaid market, tended to see more Medicaid patients. One other personal characteristic consistent with the extent of participation in Medicaid was the physician's attitide toward society's role in ensuring access to care.

Both the economic incentives and the impact of professional autonomy in State Medicaid policies appear to affect the extent of Medicaid participation, but the magnitude of the effects did not appear to be great. In States that offer higher reimbursement levels and pay claims more quickly, the extent of participation among participants was greater. A greater degree of participation appears to have been fostered in States with a reduced proliferation of regulations and controls on the amount and type of services covered; that have eliminated the requirements for prior authorization, and minimized the fluctuations in eligibility. Finally, physicians practicing in States with a less restrictive overall orientation towards Medicaid, as measured by the Revised Medicaid Program Index, were likely to participate in the program to a greater extent.

Extent of Participation

Physicians who indicated that they participated and reported accepting all new Medicaid patients were classified as full program participants; others, as limited participants. The analysis suggests very clearly that personal factors did not influence a physician's decision as to full or limited participation. Only 15 percent of the sample did not participate in Medicaid. Nonparticipants tended to be older, to be less liberal, and to practice in service areas with higher per capita incomes. Nonparticipants practiced in southern States where the Medicaid reimbursement level was relatively high. Whereas older and less liberal physicians were shown earlier to tend towards nonparticipation, these factors of age and attitude did not affect the decision to limit participation. Similarly, while the foreign medical graduate and the more liberal physician tended to have higher proportions of Medicaid patients in their practices,

there was no evidence that these factors affected the decision to accept all new Medicaid patients. This lack of influence attributable to personal characteristics is notable because it suggests that the decision may be a function of relatively more mutable factors, such as service area of policy environment.

Another important factor highlighted by the analysis was the significant influence of personnel costs on the decision to limit one's Medicaid patients. This factor was shown to have no influence on the decision to participate or on the extent of participation. However, in this analysis higher practice costs were associated with limited participation. This analysis may suggest that the decline in involvement in Medicaid would arise as a result of a conscious decision to limit acceptance of Medicaid patients and not as a result of existing barriers to access.

Metro/Nonmetro and Southern/Nonsouthern Analyses

The influence of service area characteristics was minimal. Whereas many service area characteristics were shown to influence the extent of one's Medicaid participation, when controlled for other factors only the size/type of community influenced whether a physician participated fully. Moreover, physicians in metropolitan areas were more likely to limit their Medicaid participation. Physicians in nonmetropolitan areas, on the other hand, appeared less likely to impose limits on their program participation, perhaps because the low income population there are fewer alternative sites of care available to them.

The analysis indicates that major differences can be found in the Medicaid policy environments of full and limited participants. The explained variance more than doubled when the effects of economic and professional incentives were taken into account. The analysis suggests then, that physicians' decisions to limit their Medicaid participation were very much conditioned by aspects of policy. Low reimbursement, delayed payment, and encroachments upon professional autonomy (that is, restrictive regulations and controls on services) all seemed to foster limitations on participation.

It was noted that there was a slightly greater extent of participation among pediatricians practicing in metropolitan areas. Age and attitudes appear to be influential in the participation decision of nonmetropolitan physicians, but not in those of their metropolitan counterparts. Similarly, the size of the physician supply and the time elapsed between billing and payment appear to have a negative influence on the decisions of metropolitan physicians, but not to influence those of their nonmetropolitan counterparts.

The decision to limit Medicaid participation seems relatively uninfluenced by personal, practice, and service area characteristics. Among southern pediatricians, foreign medical graduates are somehwat more likely to be full participants. In

contrast, among nonsouthern pediatricians, those in nonmetropolitan areas and those with lower practice costs are somewhat more likely to be full participants. The latter finding is interesting because physicians with higher practice costs in nonsouthern areas will tend to limit their Medicaid participation.

There is a lack of effect attributable to the economic incentives for southern pediatricians, probably because the southern States have established comparatively high payment levels and pay Medicaid claims relatively quickly. In contrast, both higher payment levels and more prompt claims payment are associated with full participation.

This comparison of the determinants of full and limited participation among southern and nonsouthern pediatricians suggests that the southern pediatrician's decision to limit Medicaid participation is based, to a greater extent than the nonsoutherner's decision, upon factors other than those included in this model.

A more indepth study of regional differences might reveal other factors entering into the southern pediatrician's decision to limit Medicaid participation such as attitudes toward patients of various racial or ethnic groups, or toward poverty populations, or toward public health and welfare programs. The implications are, at any rate, that State policymakers in southern areas seem to have relatively fewer options than those in nonsouthern areas for encouraging greater Medicaid participation among pediatricians currently limiting their participation.

Accuracy of Self-Reported Data

One of the outcomes of this study was finding out whether or not pediatricians have accurate knowledge of how much they participate in Medicaid. Past studies have analyzed their extent of Medicaid participation. These studies have tactily assumed that the doctors' self-reported estimates are accurate measures of their "true" extent of participation. This issue has important implications for the evaluation of past research. The results of these studies must be held in question if this assumption does not hold true - that is, if doctors' self-reported estimates are not reliable measures of their "true" extent of Medicaid participation.

The survey had two sources of information about each doctor's participation in Medicaid. First, the interview asked the physician what percentage of his practice is paid for by Medicaid, that is, a self-reported estimate. Second, the doctor was asked to fill out patient records for a sample of approximately 35 patients.

While this analysis supports the finding of past research that self reported estimates are in fact a reliable source of information about the determinants of the extent of Medicaid participation, the self-reported estimates presented in this study did overstate the amount of physician participation in Medicaid. Estimates of the mean extent of Medicaid participation provided by past research are quite likely too high, possibly by a factor as large as 60 percent. This exaggeration of the extent of participation may bias other types of analytical statistics which are computed using the mean value of the dependent variable. For example, past studies have calculated elasticities for the independent variables of their analyses. These elasticities are computed using the mean of the dependent variable, the extent of Medicaid participation. Thus, a bias in the mean extent of Medicaid participation might result in a bias in the values of the elasticities.

It is possible that, by the very nature of the Medicaid program, physicians who participate may feel an exaggerated burden on themselves and their practices, thereby inflating their perceptions and thus their estimates of the extent of participation.

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